APPENDIX E

NASD Regulation, Inc.
Office of Dispute Resolution
525 Market Street, Suite 300
San Francisco, CA 94105-2711 415-882-1234 Fax 415-546-6990
Satellite Office at: 300 South Grand Avenue, Suite 1620,
Los Angeles, CA 90071-3109 Fax 213-613-2677

Via Certified and Regular Mail

October 8, 1997

Milton Barnes
4437 E. Arlington Road
Phoenix, AZ 85018

Subject: NASD Arbitration Number 94-05214
Martin Logan, et al. vs. Milton Barnes, et al.

Dear Mr. Barnes:

On January 30, 1996 an award was issued in the above entitled action which ordered you to pay Claimants compensatory damages and pay Claimants $250,000.00 in punitive damages. NASD Regulation, Inc. has been advised that you have not complied with this order. I have enclosed David Markun's letter of September 18, 1997 for your review.

Article VI, Section 3 of the NASD By-Laws, permits the NASD to institute cancellation proceedings against any member or associated person that fails to pay an arbitration award rendered by an NASD panel. Therefore, pursuant to Article VI, Section 2 of the NASD Code of Procedure, your registration with the Association will be canceled on the

date described below unless you provide the undersigned prior to that date with documentation that:

(1) full payment of the award was made;

(2) the claimant has agreed to installment payments or has otherwise settled this matter;

(3) you have filed a timely motion to vacate or modify the award, which has not been denied; or

(4) you have filed a petition in bankruptcy pursuant to the Federal Bankruptcy Code and the bankruptcy proceeding is pending or the award has been discharged by the Bankruptcy Court.

If you are unable to document any of the four factors described above, the cancellation of your registration with the NASD will become effective on October 31, 1997. Article VI, Section 2 of the NASD Code of Procedure, which governs revocation procedures, entitles you to a hearing if you so request before this action becomes final.

Any request for a hearing must be in writing and be received by the undersigned on or before October 31, 1997. It must clearly state your reasons for failing to pay the award which are limited to only the four areas discussed above. We are not aware of any other lawful justification for failing to pay their award other than the four reasons explained above. NO ASPECT OF THE ARBITRATION PROCEEDING OR THE AWARD WILL BE SUBJECT TO REVIEW OR CONSIDERATION DURING ANY

SUCH HEARING ON THE PROPOSED CANCELLATION.

If you have any questions concerning any aspect of this letter or other details of the cancellation of your registration with the NASD, please call me. We are providing a copy of this letter to Claimant's counsel in the arbitration proceeding (and to your current employer, if applicable).

Very truly yours,

/s/

Derek L. Sorrells
Senior Arbitration Administrator
SF/415-882-1234

DLS:DLS:LS00A
Enclosure

cc: David Markun, Esq.
Frank Lewis, Esq.

Capital West Investment Group, Inc.
2525 E. Camelback Road
Suite 510
Phoenix, AZ 85016